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GILEAD SCIENCES, INC.

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
(SAN JOSE DIVISION)**

GILEAD SCIENCES, INC.,

Case No. 5:13-cv-04057-BLF/PSG

Plaintiff and Counterdefendant,

V.

MERCK & CO, INC. (Defendant only), MERCK SHARP & DOHME CORP. and ISIS PHARMACEUTICALS, INC.,

GILEAD SCIENCE, INC.'S RESPONSE TO MERCK'S OBJECTION TO GILEAD'S BENCH TRIAL EVIDENCE

Defendants and Counterclaimants.

1 I. **GILEAD'S UNCLEAN HANDS DEFENSE IS NOT FORECLOSED BY THE**
 2 **JURY'S VERDICT¹**

3 Dr. Philippe Durette's conduct in obtaining the structure of PSI-6130 from Pharmasset,
 4 securing the '499 patent for Merck, pursuing the application that ultimately became the '712
 5 patent, and testifying in this case, was contrary to any standard of ethical norms and behavior.
 6 He first lied to Pharmasset about being within the firewall established for review of the structure
 7 of PSI-6130, then lied in his deposition about being on the phone call where he learned of the
 8 structure of PSI-6130, and then lied on the witness stand about his reasons for being on that
 9 phone call and his subsequent prosecution of the '499 patent.

10 Merck wrongly asserts that the jury's verdict prevents the Court from considering this
 11 misconduct in determining whether Merck may enforce the '499 and '712 patents against Gilead,
 12 Pharmasset's successor. But, of course, the jury did not decide any questions about Dr. Durette's
 13 conduct, which forms the core of Gilead's unclean hands defense. Here, the only issues the jury
 14 actually decided were those of written description and enablement. The jury did not decide the
 15 issues of derivation or prior invention. In fact, over Gilead's objection, the jury was barred from
 16 doing so due to the derivation and prior invention jury instructions, which instructed that "[i]f
 17 you find that Merck's patent application as filed described and enabled an asserted claim of the
 18 '499 or the '712 patent, you must also find that the claim is not invalid for derivation" (ECF No.
 19 352 Instruction No. 25). Merck's evidentiary objection should be overruled based on this alone
 20 since the jury **cannot** have decided the issues of derivation and prior invention, and thus the
 21 Court cannot conclude that the jury made any findings on those issues at all.

22 For example, from the evidence, the Court is allowed to conclude that Dr. Durette never
 23 would have filed the claims but for him being on the March 17, 2004 call with Pharmasset.
 24 This is unclean hands. Similarly, the Court may conclude that, rather than remove himself from
 25 prosecution after being exposed to Pharmasset's confidential information, he undertook a course
 26 of conduct to patent the very compounds that Pharmasset told him it was working on, in

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 28 ¹ The reason for Merck's filing is unclear; in fact, Merck states that it is "not seek[ing] to
 preclude introduction of this evidence" (*id.* at 1), except for the '224 application, which is the
 subject of a separate objection (*see* ECF No. 378) and a separate response from Gilead.

1 violation of any standard of good faith and fair dealing among companies. This is unclean
 2 hands. Lastly, the Court can conclude that Dr. Durette lied on the witness stand (and at his
 3 deposition) in order to hide his misconduct. This is unclean hands, as well.

4 Merck cites no law for the proposition that there can be no unclean hands where a jury
 5 has determined that patent claims are not invalid for lack of written description and enablement.
 6 Instead, Merck cites *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 472-73 (1962), which merely
 7 clarifies that “any legal issues for which a trial by jury is timely and properly demanded be
 8 submitted to the jury.” Merck also cites *Cabinet Vision v. Cabinetware*, 129 F.3d 595, 600 (Fed.
 9 Cir. 1997) and *Shum v. Intel Corp.*, 499 F.3d 1272, 1279 (Fed. Cir. 2007), but those cases do not
 10 address this case, where the jury made no findings common to the verdict and unclean hands.

11 Moreover, and as will be argued at the JMOL stage, Gilead has maintained throughout
 12 this case that derivation is a separate defense from written description and enablement that “has
 13 to do with the origin of invention.” *Hedgewick v. Akers*, 497 F.2d 905, 907 (C.C.P.A. 1974); *see also Price v. Symsek*, 988 F.2d 1187, 1190 (Fed. Cir. 1993) (“A claim that a patentee derived an
 15 invention addresses originality—who invented the subject matter . . . ”). In order for Gilead to
 16 have prevailed on its derivation defense, a finding of lack of written description and enablement
 17 was not a condition precedent. Indeed, derivation can exist even if Merck could establish that
 18 there was some written description support for the issued claims. *See Leviton Mfg. Co. v.*
 19 *Universal Security Instruments, Inc.*, 606 F.3d 1353, 1360 (Fed. Cir. 2010) (“It is not enough for
 20 Leviton to claim that the earlier application does in fact support the claims. Neither an inventor
 21 nor his counsel may graft claims onto an earlier specification if those claims do not reflect what
 22 the inventor actually invented at the time of the earlier application.”); *see also Burroughs*
 23 *Wellcome Co. v. Barr Labs., Inc.*, 40 F.3d 1223, 1233 (Fed. Cir. 1994) (Lourie, J., concurring)
 24 (“It is of course possible for an invention to be reduced to practice constructively, . . . in which
 25 case the reduction to practice clearly says nothing about the completeness of the conception.”).

26 This is particularly so in the area of a chemical compounds, this case’s subject matter. A
 27 person of skill can draw a chemical compound and have no idea how to make it, or never make it
 28

in fact. The law thus requires that the conception of a chemical compound – or a method of treatment using a new compound – requires not just writing the compound down, but the possession of an operable method to make it. *Finia Oil & Chem. Co. v. Ewen*, 123 F.3d 1466, 1473 (Fed. Cir. 1997). Merck conceded at trial that it did not make a single compound within the scope of the asserted claims until August, 2005, after Clark disclosed his method, nor did it make any nucleoside with 2' methyl fluoro moiety until the same time. (Duffy Depo. Tr. (EX-2382) at 46:22-35; Trial Tr. at 1130:12-17 (Olsen); Bennett Depo. Tr. (EX-2381) at 124:6-21.) Instead, it derived its invention from Pharmasset.

Simply put, the jury made no factual findings that foreclose Gilead’s unclean hands defense. Gilead’s defense rests in equity separate and apart from what the jury decided.

II. GILEAD'S DISCLOSED ITS UNCLEAN HANDS THEORY IN DISCOVERY

Merck wrongly asserts that Gilead did not disclose the unclean hands theory it will advance at the bench trial, but does not specify what evidence or theory it deems not previously disclosed.² Gilead's interrogatory response states that its unclean hands defense arises "at least from" Merck's obtaining its patent rights by deriving the invention from Pharmasset's confidential disclosures, and cites 7 pages of its invalidity contentions that details the Merck-Pharmasset interactions that led Dr. Durette to draft new patent claims in light of those disclosures. (ECF No. 218-2 at 10.) Gilead's bench trial disclosures are consistent with this theory and the discovery Gilead obtained in the case and outlined in its pretrial disclosures. Anything additional arises from Dr. Durette's various prevarications on the witness stand, which Gilead could not possibly anticipate.

Dated: March 28, 2016

FISH & RICHARDSON P.C.

By: /s/ Elizabeth M. Flanagan
Elizabeth M. Flanagan

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GILEAD SCIENCES, INC.

² Merck's assertion that Gilead's defense is an unpled inequitable conduct defense is wrong, as explained above. But if the Court determines that Gilead's allegation based on Dr. Durette's false trial testimony is more properly inequitable conduct, Gilead may seek to amend the complaint to conform to the evidence at trial as permitted by Fed. R. Civ. P. 15(b).